Date Introduced: 15 October 1981
House: House of Representatives
Presented by: Hon. J. W. Howard, M.P., Treasurer

Short Digest of Bill

Purpose

To authorise payment to Queensland of a special grant of $58.5m in 1981-82.

Background

Special grants are untied payments from the Commonwealth to certain States, made on the recommendation of the Grants Commission, supplementing other general purpose payments. Any of the four less-populous States can apply for a special grant but Queensland has been the only applicant State in recent years. Although Tasmania applied for a special grant in respect of 1977-78, it subsequently withdrew its application. The Northern Territory has also been given access to the Commonwealth Grants Commission and while the Commission has recommended a $3.3m special grant for the Northern Territory for 1981-82, this amount will be subsumed into a $20m general assistance grant from the Commonwealth under the self-government arrangements.

The purpose of special grants is to enable a claimant State to function at a standard not appreciably below that of other States without having to levy taxation and other charges of greater severity than the other States. The claimant State's revenue is supplemented because of a lower capacity to raise taxes and other revenue, or a need to incur higher costs in order to provide comparable governmental services. To assess the amount of the grant, the Grants Commission compares the revenue raising capacity and expenditure needs of the claimant State (in this case Queensland) with those of N.S.W. and Victoria, using the average of the situation in N.S.W. and Victoria as a standard.
The special grant made to a State in respect of any one year is usually paid in two parts: the first part, the advance payment, is paid to the State during that year and is a preliminary estimate of the State's financial need for the year; the second part, the completion payment, is paid to the State two years later when the Commission has compared in detail the finances of the claimant and standard States for that year. (The completion payment may be either positive of negative, but is usually positive).

The payment of $58.5m to Queensland in 1981-82 represents a completion payment of $33.5m in respect of 1979-80 and an advance payment (or, to be more precise, an interim payment in lieu of an advance payment) of $25m in respect of 1980-81. Normally, the advance payment would have been paid in 1980-81 but although Queensland applied for a special grant in that year, it initially informed the Commission that no advance grant would be sought while the Commission was still determining its methodology for its forthcoming general Review of the States' per capita general revenue relativities.

In February 1981, by which time the Review methodology would have been decided, Queensland requested that the Commission assess an advance grant for 1980-81. It argued, however, that the Commission could use the per capita factors derived from its Review to estimate a final grant in respect of 1980-81 which would be paid in 1981-82. In light of Treasury opposition to this proposal, the Commission decided that a special grant for Queensland in respect of 1980-81 should be estimated in the usual way. It therefore agreed to pay, in 1981-82, an interim grant of $25m in lieu of an advance grant for 1980-81. A completion grant will be assessed in the usual way in 1982-83.

In its Review, presented in June 1981, of State per capita relativities, the Commission found that the per capita factors of N.S.W., Victoria and Queensland should probably be increased. The Commission had to make a number of assumptions and judgements in its Review which were considered by the States and the Commonwealth. The Commission was subsequently asked to revise its report to take account of various issues raised. In the meantime, however, the three States mentioned above were awarded additional revenue grants in 1981-82 on the understanding, among other things, that no applications would be made for special grants in 1981-82. Queensland, which received an additional grant of $20.5m, withdrew its application for a special grant for 1981-82.
Details of the derivation of the recommended grant of $58.5m can be found in the Commission's Forty-eighth Report, 1981, on Special Assistance for States.

Main Provisions

Sub-clause 3 (1) authorises the payment of $58.5m to Queensland during 1981 82.

For further information, if required, contact:

Finance, Industries, Trade & Development Group
LEGISLATIVE RESEARCH SERVICE

19 October 1981